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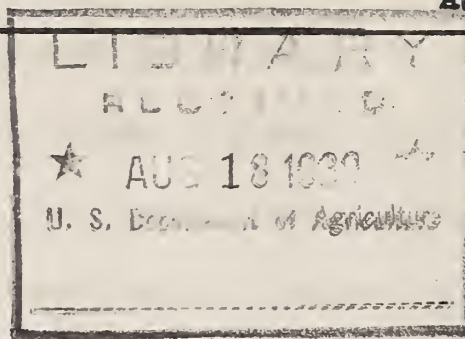
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THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

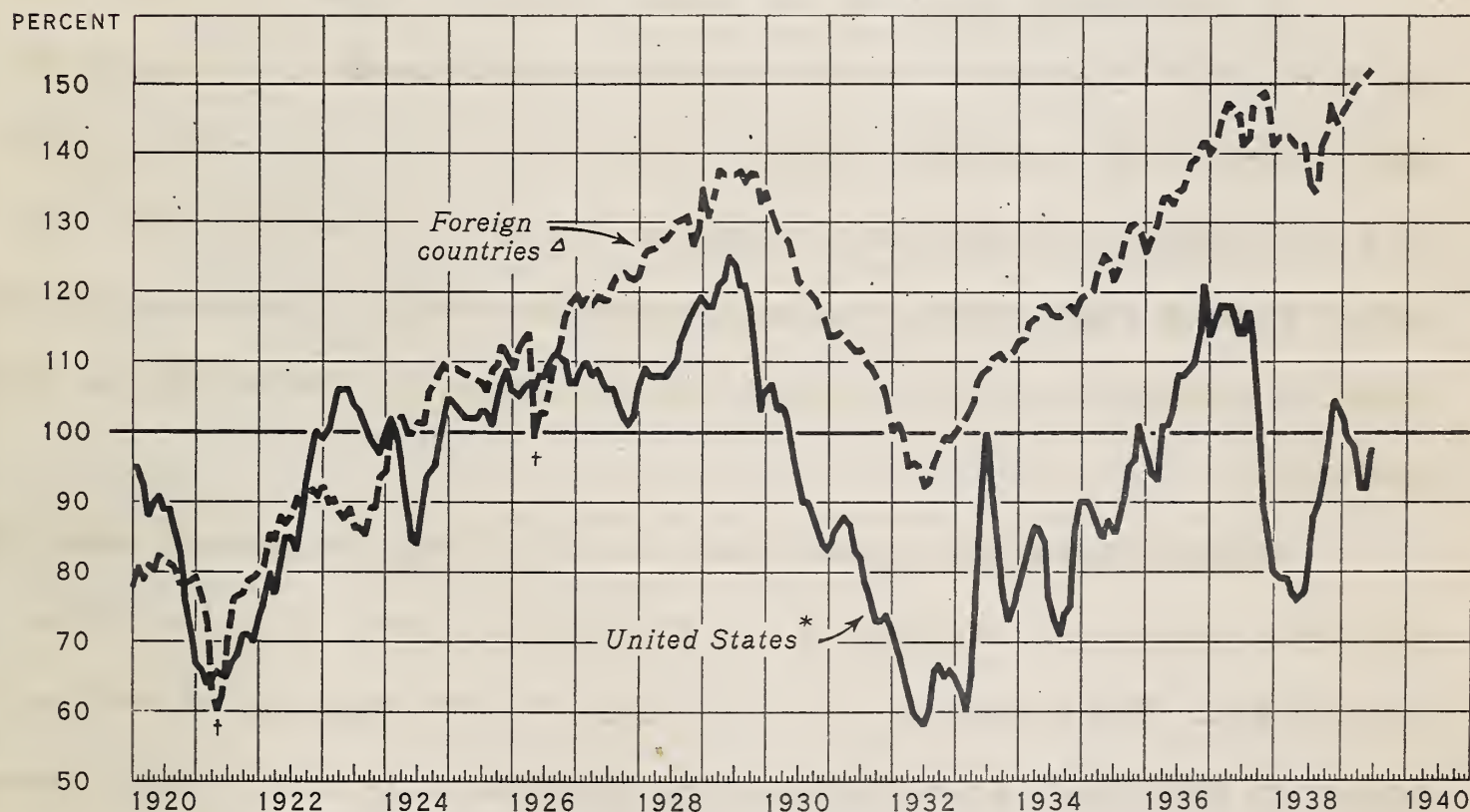
WASHINGTON, D. C.

August 15, 1939



INDUSTRIAL PRODUCTION, UNITED STATES AND FOREIGN COUNTRIES, 1920-39

INDEX NUMBERS (1923-25=100) ADJUSTED FOR SEASONAL VARIATION



Δ UNITED KINGDOM, FRANCE, GERMANY, ITALY, JAPAN, CANADA, CZECHOSLOVAKIA, BELGIUM, AND POLAND

* BASED ON DATA FROM BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM

† WIDESPREAD STRIKES IN GREAT BRITAIN

Industrial production in foreign countries, stimulated by government expenditures for military preparations, has continued the rise which began in the second half of 1938, recently exceeding the previous peak reached in 1937. Large world supplies of some commodities and governmental restrictions on international trade have kept this improvement in foreign economic conditions from being reflected plainly in the demand for United States farm products.

SUMMARY

The improvement in conditions affecting the domestic demand for farm products which began in May has continued through early August, according to the Bureau of Agricultural Economics, but no boom of large proportions is in sight. The Bureau's analysis of conditions in the more important industries which affect industrial production and consumers' incomes points to only moderate variations in these domestic demand conditions during the remainder of 1939.

In the current issue of its Demand and Price Situation, just out, the Bureau also says that foreign economic conditions have continued the improvement noted in recent months. "Were it not for large world supplies of some products and continued government controls interfering with the normal flow of commodities, the improvement in foreign economic conditions would be reflected much more plainly in the demand for United States farm products."

Although industrial conditions have improved, the general level of wholesale prices has continued to be depressed by large supplies of some commodities. The Bureau reports some signs of strengthening of wholesale prices of industrial raw materials, but declines in prices of farm products and foods have prevented the general level of wholesale prices from rising. Taking all conditions into account, it is expected that the general level of prices "is likely to fluctuate only slightly during the remainder of the year." The relation between prices received and prices paid by farmers changed very little during July, the rounded figure remaining at 74 percent of the 1910-14 average, the same as in June.

Cash income from farm marketings made about the usual seasonal increase from June to July, but was somewhat smaller than a year earlier. It is expected to increase seasonally from now to October, but continue below the corresponding months of last year.

The Bureau summarizes the situation by commodities as follows:

Although export buying of cotton is reported to have increased materially during the past 2 weeks, its influence on cotton prices apparently already has been discounted to at least a considerable extent. Stocks of "free" American cotton continued exceptionally small, but the 1939 crop is now beginning to move in considerable volume. Domestic cotton prices recently declined slightly.

Domestic wheat prices continue to remain strong in comparison with prices in other countries as the result of a prospective United States crop only moderately above the annual domestic disappearance, a large proportion of wheat being placed under loan, and the continuance of the export-aid program in 1939-40.

Indications are that the total supplies of feed grains will be slightly less than last year, but slightly larger in actual quantity and in supply per-animal unit than the average for the years 1928-32.

A seasonal increase in hog marketings is expected during the late summer and fall, but the increase during this period may be no greater than that which occurred in the same period last year. Hog prices declined sharply during the last 3 weeks of July and in early August, the decline being greatest in prices of heavy weight hogs.

The number of cattle on feed in the Corn Belt States August 1 was reported to be about 16 percent larger than on the same date a year earlier. Marketings of grain-fed cattle are expected to be larger than those of last year during the remainder of 1939, but marketings of other cattle probably will continue smaller because of the tendency for producers to withhold breeding stock. Prices of slaughter cattle are now somewhat under those of a year earlier, apparently because of the increased marketings of grain-fed cattle and the larger hog marketings.

Marketings of lambs are expected to increase seasonally in the next few months, and the supply of late lambs available for feeding will be larger this fall than a year earlier. Prices of slaughter lambs declined sharply during July.

Prices of wool strengthened during July in both domestic and foreign markets. Total supplies of wool in the United States on July 1 probably were smaller than a year earlier. The carry-over of wool into the 1939-40

season in Southern Hemisphere countries will be much smaller than the carry-over last year. Wool production in Australia in 1939-40 is estimated to be about 3 percent larger than in 1938-39.

The indicated 1939-40 supply of all types of tobacco is 6.7 percent above that of the previous season; the supply of flue-cured for 1939-40, however, is 13.5 percent greater. Demand for tobacco products probably will not be greatly different from that of last season. The flue-cured markets for types 13 and 14 to date are considerably lower than those of the similar period last year.

A total United States rice supply slightly smaller than the last two years is in prospect for 1939-40, but with the exception of these two years, supplies are again expected to be at a record level. Rice prices have weakened somewhat during recent months, and are now slightly below prices a year ago.

Consumer demand for fruits in general is somewhat improved over that of a year earlier, but the larger supplies available this season have resulted in generally lower prices than in the summer of 1938. Prices of potatoes and most truck crops declined during July under the pressure of heavy marketings from nearby market areas, but in early August prices of these commodities averaged slightly higher than a year earlier.

Even though butter prices are unusually low, the price of butterfat in relation to prices of feed grains is about the same as the average for the period 1925-29. Butter production in June was slightly less than a year ago, but except for 1938 was the largest for the month on record. It seems probable that production will continue relatively heavy. Although the net into-storage movement of butter has been less than in 1938, stocks on August 1 were decidedly above average, but less than a year ago.

Slight improvement occurred in the poultry and egg situation in the past month, with feed prices declining as egg prices rose, making the relationship between feed costs and egg prices in July more favorable to producers than in any other month this year. Production and stocks of both eggs and poultry continue high, but demand conditions are expected to be a little better in the last half of 1939 than in the corresponding period of 1938.

DOMESTIC DEMAND

Further improvement in conditions affecting the domestic demand for farm products was recorded in July, although the gains were not as large as those in June. Some additional betterment during the next few months is indicated by conditions in the more important industries, but no business boom of large proportions is in sight.

Industrial production in July extended the gains of late May and June. The Federal Reserve index apparently recovered in July to at least the 1923-25 average of 100, from 98 in June. Several weekly indexes of business activity in early August were considerably above the July average. Although no data are available for July, industrial employment, pay rolls and nonagricultural income undoubtedly continued to rise.

The recent rise in industrial production reflected largely increases in output of steel for construction and miscellaneous uses, and larger production of minerals. If demand for steel from these sources is maintained a further rise in steel output will come when heavy production for auto manufactures resumes, since steel companies are reported to have accumulated only small inventories for this purpose. Changes in auto production will not directly affect the index of industrial activity until new model output is well under way in October, but reduced dealer stocks of new and used cars, and the maintenance of a better than expected retail demand for cars, point to a generally favorable fall automobile season. When the July-September period of print cloth curtailment ends, cotton textile mills should reflect more fully the recent heavier buying and an improving inventory situation. Recent improvement in business confidence points to somewhat less cautious buying by business men generally.

These conditions indicate continued strength in the business situation during the next few months, with industrial production and consumer incomes likely to pass their 1938 peaks by fall.

Looking ahead into the winter and spring, however, few indications of a sharp and sustained business boom are discernible. The production of nondurable consumers' goods already is at a high level, and a considerable period of sustained business improvement probably will be required to induce large private capital expenditures. Government spending (net) apparently has about reached its peak. The still sluggish general commodity price situation furnishes little stimulus to aggressive advanced buying or accumulation of inventories by business men. Construction contracts, except residential, have been declining since last December, and this trend probably will continue through the remainder of the year. Continued recovery in foreign industrial conditions as a result of war preparations conceivably might bring about such a rise in world prices of basic commodities and general stimulation of the international trade situation as to generate more of a domestic business rise than is indicated by the foregoing conditions.

These considerations point to probable continuation of relatively stable domestic demand conditions during the remainder of 1939 at least, with only moderate variations in industrial production and consumers' incomes.

FOREIGN DEMAND

Foreign economic conditions which affect both industrial activity and demand for farm products in the United States have continued the improvement noted in recent months. Industrial output in a number of important foreign countries has recovered the entire 1937-38 loss, stimulated by heavy Government expenditures for military preparations. Unemployment in the principal nations of Europe is rapidly disappearing. Were it not for large world supplies of some farm products and continued Government controls interfering with the normal flow of commodities, the improvement in foreign economic conditions would be reflected much more plainly in the demand for United States farm products.

The Economist index of business activity in the United Kingdom continued its upward movement in June. This index has increased steadily since last December, and by June had gained more than 10 percent to within less than 2 percent of the all-time peak reached during the last half of 1937. Industrial production has recovered even more than general business activity. As in other recent months, the principal contribution to increased activity in Great Britain was from industries affected by the country's rearmament programs - iron and steel, shipbuilding and coal. The improvement in productive activity has been accompanied by an increase in employment, the total of which reached new all-time peaks both in May and again in June of this year. Already some branches of industry are beginning to experience a scarcity of labor, although there has as yet been no general reduction in activity among the industries not directly affected by the armament program. The decline in building activity which first made an appearance as early as September 1936 has continued; the loss up to June of this year amounted to 26 percent. The 87-percent increase in proposed defense expenditures in the current fiscal year as compared with the one ending last June 30 and recent increases in raw material imports are suggestive of further immediate expansion - perhaps to new all-time peaks.

The long drawn-out period of economic depression in France appears to have finally been ended. Industrial production increased about 17 percent from October 1938 to May 1939. No later production index is available, but further gains have been reported for many individual industries. The improvement in France is also based largely on rearmament and has been accomplished under temporary extraordinary powers granted Premier Daladier late last year. There are, however, no indications of an early return to peace-time economy, and improvement may be expected to continue. Complementing the gains in the physical volume of production in France, the country's fiscal problems are being eased by extensive repatriation of capital; this has strengthened the position of the franc, permitted a lowering of interest rates and a consolidation of the floating debt, and is preparing the capital markets for later borrowing which will be necessary in connection with the defense program.

Economic activity in Canada has maintained the gains accomplished earlier in the year.

Though the favorable influence of improving foreign activity on our economy may be traced in large part to armaments, it has much the same effects while it lasts as would a more normal world-wide industrial revival. There is little possibility of an early cessation of armament activity and hence of slowing down of foreign economic activity. Although other conditions obscure or partly offset the effects of the improvement in foreign economic conditions, the latter has an important influence upon both the foreign and domestic demand for our farm products.

WHOLESALE PRICES

Although signs of strengthening in wholesale prices of some industrial raw materials have been evident in recent weeks, the general level of wholesale prices has been depressed by declines in prices of farm products and foods. With a fairly stable average level of farm product prices in prospect for the next several months, and no marked changes expected in prices of non-agricultural commodities, the general level of wholesale prices is likely to fluctuate only slightly during the remainder of the year.

The Bureau of Labor Statistics index of wholesale prices declined a little further in late July to the lowest since July 1934, but recovered slightly in the week ended August 5. The index of wholesale prices of all commodities now stands at 75 percent of the 1926 average, or at 110 percent of the pre-war level.

The index of wholesale prices of farm products is only 62 percent of the 1926 average, equivalent to 88 percent of pre-war. The downturn of prices of farm products in July reflected sharp reductions in prices of grains, particularly wheat and corn. Wholesale prices of farm products are now at a lower level relative to 1926 than any other commodity group, with food prices second. With prices of nonagricultural commodities as a whole fairly stable, the disparity between farm products and other commodities has widened in recent weeks. The ratio of wholesale prices of farm products to nonagricultural products for the week ended August 5 was 76 percent of the pre-war level, compared with 78 a month earlier and 81 for the corresponding week a year earlier. Government price-supporting measures, including export subsidies, distribution of surpluses for relief and crop loans, will help to ward off further marked declines in farm product prices.

While prices of nonagricultural commodities as a whole have changed little in recent months, prices of a few industrial raw materials, such as copper and rubber, recently have gone up some. It is likely that prices of nonferrous metals and building materials will strengthen somewhat more in the next few months, whereas iron and steel and their finished products are expected to continue relatively stable.

The combined index of wholesale prices in nine foreign countries that have a considerable influence on the foreign demand for our farm products, at 87 percent of the 1924-29 average in June, was practically the same as in May and in June 1938. Since early July, prices in France have declined a little, although the high level of industrial materials prices has been maintained.

PRICES RECEIVED AND PAID BY FARMERS

Market prices indicate that the general level of prices received by farmers in mid-August is somewhat lower than in mid-July. Declines in prices of most meat animals, grains, cotton, cottonseed, and fruit have more than offset moderate increases in prices of eggs and truck crops.

The general level of prices received by farmers in mid-July was 89 percent of the pre-war average, the same as a month earlier. In July 1938 farm prices were 95 percent of pre-war. Sharp declines in prices of grains and fruit from June to July were offset by slightly higher prices of chickens, eggs, and milk, and by materially higher prices of potatoes and tobacco.

The preliminary estimate of prices paid by farmers for commodities in July was 120 percent of the 1910-14 average, compared with 121 in June and 123 in July 1938. The ratio of prices received to prices paid by farmers in July, at 74 percent of the 1910-14 average, was unchanged from the previous month. In July 1938 the ratio was 77 percent of the pre-war average.

FARM INCOME

Cash income from farm marketings made about the usual seasonal increase from June to July, but was somewhat smaller than a year earlier. Income from crops increased seasonally but lower prices of wheat, together with the smaller quantities sold or placed under loan, resulted in a considerably smaller income from wheat than in July last year. Sales of cotton also were sharply lower than a year earlier. The decline in income from wheat and cotton was largely responsible for the decline in income from crops as compared with July last year.

Income from livestock and livestock products declined seasonally from June to July and also was below July 1938. The decline from a year ago was due largely to smaller receipts from cattle, hogs, butterfat and eggs.

Because of the low level of cotton marketings in the past few months, the increase in marketings as the 1939 crop begins to move will be much larger than usual and is expected to result in more than the usual seasonal increase in farm income from July to October. The higher level of consumer purchasing power is likely to be reflected in larger income from fruits and vegetables than was received in the summer and fall months of 1938, but because of the smaller income to be received from wheat and several of the important livestock products it is probable that total income from farm marketings in the next few months will continue below those of the corresponding months of last year.

WHEAT

Domestic wheat prices continue strong in comparison with prices in other countries, as the result of a prospective United States crop only moderately above the annual domestic disappearance, a large proportion of wheat being placed under loan, and the continuance of the export-aid program in 1939-40. The price of No. 2 Hard Winter wheat at Kansas City for July 1939 averaged only 3 cents lower than for July 1938, while the price of parcels at Liverpool averaged about 43 cents lower than a year earlier.

Domestic wheat prices as well as those in foreign markets continued until the latter part of July, the decline which started the first of May, influenced by favorable crop prospects and abundant supplies of old-crop grain. During the last week in July there was some recovery, reflecting less favorable prospects for spring wheat in North America. During early August wheat prices were unsettled with further crop deterioration in the Prairie Provinces but increased offerings of spring wheat and uncertainty for a time regarding funds for wheat loans.

Prospective world wheat supplies, excluding the U. S. S. R. and China, for the year beginning July 1, 1939 are now estimated by the Bureau of Agricultural Economics at about 5,340 million bushels, or about 165 million bushels above the record supply of 1933. Production is tentatively placed at about 4,140 million bushels, which is about 435 million bushels less than last year's record crop. This reduction in production, however, only partially offsets an estimated increase of approximately 600 million bushels in the world carry-over of old wheat. Stocks on July 1 are tentatively placed at about 1,200 million bushels compared with about 600 million bushels a year ago.

A total wheat crop in the United States of 731 million bushels was indicated by August 1 condition. This is 40 - 50 million bushels larger than the likely 1939-40 domestic disappearance, and if exports should turn out to be near the 10-year (1928-37) average of 70 million bushels the carry-over on July 1, 1940 would be reduced below that for 1939 when it is estimated at about 254 million bushels.

RICE

A total United States rice supply slightly smaller than the large 1938-39 supply and about 7 percent below the large 1937-38 supply is in prospect for 1939-40. With the exception of these 2 years, however, the prospective supply is again at a record level. August 1 conditions indicated a 1939 crop of 42.5 million bushels in the Southern States and 8.3 million bushels in California, making a total United States indicated production of 50.8 million bushels, compared with 52.3 million bushels in 1938. In the Southern States the August 1 carry-over of rice was about 50 percent larger than the August 1 carry-over a year ago. The total supply in the Southern States was around 400,000 barrels above the supply of 13,100,000 barrels for 1938-39. In California total stocks of rice on August 1 were about 340,000 barrels larger than on that date a year ago. These large stocks indicate a total supply in California for the marketing year beginning October 1 larger than the 1938-39 supply.

Rice prices have weakened somewhat during the past few months, with the favorable prospects for the 1939 production and with some apparent slackening in the domestic demand and demand from insular possessions. The average price received by farmers for rice on July 15 was 60 cents per bushel as compared with 63 cents per bushel for a year earlier. California prices this fall may be influenced somewhat by the promotional program proposed by the rice industry to expand utilization. This plan provides for an assessment of 15 cents per bag of rough rice processed.

Exports of rice in 1938-39 have again been comparatively large, totaling 293 million pounds from August through June as compared with 280 million pounds during the same period of 1937-38. This was the largest export for this period since 1928-29. Shipments to insular possessions, however, have been smaller than a year ago, totaling only 262 million pounds for the period August-June as compared with 319 million pounds for this period of last year. The decrease in shipments has been due largely to smaller purchases by Puerto Rico.

COTTON

Effective July 27 the Government inaugurated a 1.5 cent-per-pound payment on exports of American cotton. Domestic cotton prices declined from 9.41 cents on July 14 to 9.00 cents on August 12. In August last year the 10-market average was 8.37 cents. Export buying is reported to have increased materially during the past 2 weeks, but its influence on cotton prices apparently already had been discounted to at least a considerable extent. Stocks of "free" American cotton continued exceptionally small, but the 1939 crop is now beginning to move in considerable volume.

A 35 percent increase in sales of spot cotton in the 10 markets occurred in the 2 weeks ended August 10 as compared with the restricted sales of the 2 preceding weeks. This, in part at least, reflected the elimination of the uncertainties with respect to the export subsidy program as well as the plan's actual stimulus to foreign purchases. Exports increased sharply (100 percent) between these two periods after having continued exceptionally low during July. July exports were less than half as large as a year earlier, the second smallest in at least 25 years, and brought the total for the season to a little less than 3,350,000 running bales. This total was two-fifths less than that of the preceding season, less than half as large as the 10-year (1928-37) average and the smallest in 57 years.

The world carry-over of American cotton, of 14,150,000 bales, as now estimated by the New York Cotton Exchange Service, reached a new high and was 450,000 bales larger than last year. World stocks of "free" American cotton as of August 1 this year, however, were less than half as large as a year earlier and the smallest in 14 years. The small "free" stocks during the last 3 months have been an important price-strengthening factor. Ginnings in August, however, should materially exceed domestic consumption and exports and thereby increase the domestic stocks of "free" cotton. A 1939

United States crop of 11,412,000 bales of 478 pounds net weight was officially forecast on the basis of August 1 conditions. This is 531,000 bales less than the 1938 crop and the third smallest in 16 years, but still gives an indicated season's supply only a little less than the record high.

The world carry-over of foreign cotton was about 1 million bales less than the record high of August 1 last year. Indications also point to a decline in the 1939-40 foreign crop.

Domestic mill consumption in July, of slightly over 500,000 bales, exceeded July last year by about one-seventh. Total consumption for the 12 months ended July, of 6-3/4 million bales exceeded consumption during the preceding 12 months by more than 1 million bales and was the second highest in 10 years. Consumption of American cotton abroad was 3/4 million bales smaller than a year earlier and the smallest in 20 years, but exceeded exports by about 1-1/4 million bales.

CORN AND OTHER FEED GRAINS

Corn crop prospects deteriorated greatly in Nebraska, Kansas, and South Dakota during July because of dry weather. On the basis of August 1 conditions the 1939 corn crop was indicated to be 2,460 million bushels compared with 2,542 million bushels last year. The prospects for oats and barley production improved slightly during July. The total feed grain supply, including stocks of oats on July 1, stocks of barley on June 1, and prospective stocks of corn on October 1, plus production of four feed grains, is expected to be about 110 million tons compared with 112 million tons last year. Taking into consideration the increased number of livestock during 1939, the supply per animal will be around .81 tons compared with .88 tons last year. The average supply per grain consuming animal unit during the period 1928-32 was .78 tons.

Prices of all feed grains declined during most of July. The decline in corn prices apparently reflected uncertainty as to the quantity of free corn that will be available this fall and the influence of the loan program on 1939 corn prices. In late July and early August prices of feed grains advanced, recovering part of the early losses. The margin between the price of feeding barley and the price of malting barley is now somewhat less than a year earlier or 2 years earlier.

In accordance with recent Congressional action, marketing quotas for corn will be voted on in referendum September 10 if the total supply is more than 10 percent above the normal supply level. As yet the normal supply level has not been determined, but on the basis of present indications the 1939-40 supply of corn will exceed the normal supply, and may exceed it by more than 10 percent. Announcement has been made by the Government that the entire quantity (257 million bushels) of corn now under seal will be withheld from market this fall and winter. Provisions have been made by the Government for storing corn released by farmers in payment for loans. On the basis of

present conditions the quantity of free corn available this fall and winter will probably be somewhat less than the quantity available in 1938-39.

HOGS

A seasonal increase in hog marketings is expected during the next 3 or 4 months, as the movement of spring pigs gets underway in large volume. Although the 1939 spring pig crop was much larger than that of 1938, the increase in marketings from August through December this year may be no greater than in that period last year, because marketings are already at a considerably higher level than a year earlier. Slaughter supplies of hogs in the 1939-40 marketing year, which begins October 1, will be materially larger than in the current marketing year.

After advancing moderately in late June and early July, hog prices declined during the last 3 weeks of July and in early August. The average price of butcher hogs at Chicago for the week ended August 5 was \$6.25 compared with \$7.10 in early July. The drop in prices during July was considerably greater for heavy weight hogs than for light and medium weight hogs. In early August prices of hogs weighing over 300 pounds were lower than in mid-June, but prices of light and medium weight hogs were somewhat higher than in mid-June. The greater decline in prices of heavy hogs in recent weeks reflects partly the seasonally large marketings of packing sows and partly the relatively low prices of lard and of the fat cuts of pork.

Slaughter of hogs under Federal inspection in July totaled 2,778,000 head, about 400,000 head smaller than in June but more than 500,000 head larger than in July last year. Inspected hog slaughter in the first 10 months (October-July) of the present hog marketing year amounted to about 34 million head and was about 4.6 million head larger than in the corresponding months of the 1937-38 marketing year.

BEEF CATTLE

The number of cattle on feed for market in the Corn Belt States on August 1 was estimated to be 16 percent larger than that of a year earlier, with marked increases occurring in all Corn Belt States except Minnesota. The relatively large increase in the number of cattle on feed August 1 this year compared with last, reflects the record stocks of corn in the Corn Belt and the high prices of cattle relative to corn prices that have prevailed since last fall.

Slaughter supplies of grain-fed cattle, which increased sharply in June and July, are expected to be somewhat larger than those of last year during the remainder of 1939. But marketings of cows and heifers probably will continue smaller than a year earlier because of the tendency for producers to withhold breeding stock. Total beef production during the remainder of 1939 may not be greatly different from that in the corresponding period of 1938. The demand for meats, however, is likely to continue a little stronger than a year earlier.

Prices of better-grade slaughter steers, after declining fairly sharply in April and May, declined further in July and early August, largely because of increased marketings of such cattle. For the week ended August 5, the average price of good-grade steers at Chicago was about \$9.10 per 100 pounds, approximately 30 cents lower than a month earlier and 90 cents lower than a year earlier. Seasonally larger marketings of lower-grade cattle also brought about a decline in prices, with the average price of common-grade steers at Chicago declining about 70 cents from early July to early August. Slaughter of grass cattle, however, is running under that of last year, and prices of such cattle are now only slightly below those of a year earlier. Increased hog marketings this year compared with last apparently have had some effect in depressing cattle prices.

The number of cattle slaughtered under Federal inspection in July totaled 782,000 head, slightly larger than in June, but 5 percent smaller than in July 1938. For the first 7 months of 1939, inspected cattle slaughter totaled 5 percent less than in the corresponding period of 1938, while inspected calf slaughter totaled 4 percent less.

LAMBS

The 1939 lamb crop is estimated to be about 31.9 million head, or 1 percent smaller than the record lamb crop of 1938. The decrease in the lamb crop this year from last was the result of a rather sharp reduction in Texas. In the native States and in the Western sheep States other than Texas, the lamb crop in 1939 was larger than that of 1938.

Marketings of lambs are expected to increase seasonally in the next few months. Except in a few areas, range conditions in the Western sheep States during the spring and summer have been much below last year and below average. Late lambs from the Western States will be of lighter weight with a much larger percentage in only feeder condition this year than last.

The supply of late lambs available for feeding will be larger this fall than a year earlier. But up to early August relatively few western lambs had been sold on contract for fall delivery, with contract prices ranging from 50 cents to \$1 per 100 pounds higher than last summer. Prospects for lamb feeding are uncertain this early in the season. Feed supplies in the Corn Belt will be abundant, but in western feeding areas, where more than half of the lambs are fed, feed crop prospects are less favorable than last year.

Prices of slaughter lambs declined sharply during July. In early August, the weekly average price of good and choice slaughter lambs at Chicago of \$8.80 was about \$1.40 per 100 pounds lower than a month earlier, but was higher than in early August last year. Inspected slaughter of sheep and lambs in July, totaling 1,399,000 head, was about the same as in June, but it was about 4 percent smaller than in July last year.

WOOL

Sales of wool in the domestic market were relatively large in July and prices of many grades of wool advanced to the highest level for the current season. The increase in sales in July followed a slight decline in prices in the second half of June. Mixed lots of country packed 3/8 and 1/4 blood bright fleece wools sold at 32 cents a pound, grease basis, delivered to Boston, in the first week of August compared with 29.5 to 31 cents a pound a month earlier. Prices of most grades of wool at the London wool sales in July were higher than at the May sales. The advance was greatest on crossbred wools.

The quantity of wool shorn or to be shorn in the United States in 1939 is estimated at 376 million pounds, or about 1 percent larger than the quantity shorn in 1938. Stocks of apparel wool held by United States dealers and manufacturers on July 1 totaled 255 million pounds, grease basis, and were about 42 million pounds smaller than a year earlier. Such stocks do not include wool held on farms and ranches which are fairly large at this time of year. But total supplies in the United States on July 1 probably were smaller than a year earlier and below the 5-year average.

The weekly rate of mill consumption of apparel wool in the United States in June was 17 percent higher than in May and was the highest rate reported since the first quarter of 1937. Consumption on a grease basis in the first half of the year was 70 percent larger than in the same months last year and almost 20 percent larger than the 6-months average for the 10 years 1928-37. Prospects are for a fairly high level of mill consumption in the next few months, and fairly large imports may be necessary before the 1940 domestic clip is available.

An estimated increase of about 3 percent in Australian wool production for 1939-40 is offset by the smaller carry-over at selling centers and total supplies for the new season are estimated to be about equal to the 5-year (1933-37) average. The carry-over of wool into the 1939-40 season in South America and New Zealand is expected to be much smaller than in 1938 and also smaller than the 5-year average.

TOBACCO

Based on conditions as of August 1, the total 1939 tobacco crop is indicated as 1,656,000,000 pounds, or 20 percent more than the 1938 crop. The indicated 1939-40 supply of all types is 6.7 percent above that of the 1938-39 season. The flue-cured 1939-40 supply, however, is 13.5 percent greater than for the previous year. With the exception of fire-cured and cigar-filler types, for which indicated supplies are below the 1938-39 level, all types except flue-cured are only slightly above the previous year.

The demand for United States leaf probably will not be greatly different from that of last season. Current rates of consumption of tobacco products and prospects for stable to slightly improved business conditions in the United States indicate that domestic demand will be well maintained. Foreign demand conditions, however, may not be as favorable as in the last two seasons.

The markets for Georgia and Florida tobacco, type 14, were opened on July 25. Gross sales through August 4 were more than 75 million pounds, averaging 14.0 cents per pound. Production of type 14 indicated August 1 is about 108 million pounds, or approximately 2 percent above the 1938 crop of 106 million pounds.

The South Carolina and North Carolina border markets for type 13 opened August 3. Sales during the opening week were approximately 10 million pounds at an average of 17.7 cents. The August 1 indications are for a crop of type 13 of about 206 million pounds compared with 161 million pounds in 1938. The Eastern North Carolina markets for type 12 will open August 22.

BUTTER

Butter prices have varied little since late spring. The price of 92-score butter at New York in July averaged slightly less than in June but 2.3 cents less than a year earlier. Except for 1932 the price of butter in July was the lowest for the month since 1908.

In late July it was announced that the Dairy Products Marketing Association had been authorized to purchase up to 25 million pounds of butter. This butter is to be put in storage, available for resale to the trade at prices high enough to cover costs. Butter not sold to the trade may be sold to the Federal Surplus Commodities Corporation for relief distribution. Up to August 8 about 2 million pounds had been purchased under the 1939-40 program.

Even though butter prices are low the price of butterfat in relation to feed grain is about the same as the average for the period 1925-29.

Butter production in June was slightly less than a year ago, but except for 1938 was the largest for the month on record. It seems probable that production will continue relatively heavy. Pastures are relatively poor but total milk production on August 1 was only 1 percent below the record for that date a year earlier.

In contrast with the slight decline in production, consumption of creamery butter in June was 12 percent larger than a year earlier and by far the largest on record for the month. Part of this increase, as in earlier months of the year, was due to the distribution of butter for relief. Trade output through regular commercial channels was about 6 percent larger than a year earlier. Retail prices of butter in June were down 5 percent from the preceding June. Estimated consumer expenditure for butter in June were about 1 percent higher than a year earlier, and after allowing for seasonal changes, higher than in April and May.

The net into-storage movement of butter has been much less than in 1938, and stocks on August 1 were less than a year ago but decidedly above average.

POULTRY AND EGGS

Slight improvement occurred in the poultry and egg situation during the past month. Feed prices declined and egg prices rose, making the relationship between feed costs and egg prices in July more favorable to producers than for any other month this year. The feed-egg ratio (based on Chicago prices) for July was about 10 percent below the 1928-37 average, but about 18 percent above last year, which was unusually favorable.

Prices paid to producers for eggs began their seasonal rise, being 1.6 cents higher on July 15 than on June 15. Prices of chickens recovered slightly. Both egg and chicken prices, however, remain below those for last year and for the 1928-37 average.

Egg production continues high, with total production from January to August exceeding that for the corresponding period of last year by about 4 percent. Storage stocks, an important source of egg supplies for the second half of the year, were about 8 percent larger on August 1 than a year earlier. Demand conditions, however, are expected to be a little better in the last half of 1939 than in the corresponding period of 1938.

Prospects are for larger market supplies of poultry during the remainder of 1939 and early 1940 than a year earlier. The number of young chickens per farm flock is larger than last year, a substantial increase in turkey numbers is indicated, and larger laying flocks are to be culled. Although consumer purchasing power will be greater than in the same months last year, supplies of meats competing with poultry also will be larger.

Feed supplies probably will be not greatly different, and feed costs about the same or slightly less during the coming year, compared with 1938-39.

FRUITS

Although fruit crop prospects declined slightly during July, condition reports as of August 1 indicate a total production of all fruits slightly larger than last year. Larger crops than last year of commercial apples, apricots, cherries, peaches, and plums and fresh prunes are indicated but slightly smaller crops of pears, grapes, prunes for drying and citrus are in prospect. Most of the crops, however, will be somewhat above the recent 10-year average.

Although consumer demand for fruits in general is somewhat improved over that of a year earlier, the larger supplies have resulted in sharply lower prices than in the summer of 1938. Notable exceptions are prices received for some of the canning fruit for which the carry-over situation is much improved over a year earlier. Early varieties of western and mid-western apples, late peaches, grapes and cherries particularly have recently been

sharply lower than a year earlier. Largely because of a preponderance of small sizes, market prices of summer oranges and grapefruit have also averaged lower than a year earlier while lemon prices have averaged slightly higher. Fruit prices generally have declined seasonally in recent weeks, as marketings of the new crops increased in volume.

The first estimate of commercial apples indicates a crop of 103 million bushels or about one-fifth larger than last year and about 6 percent larger than the recent 10-year average.

POTATOES

Potato prices declined sharply during the last month from the high levels reached in early July as marketings from nearby market areas increased in volume. At New York City the decline was from \$2.15 per 100-pound sack in early July to \$1.38 in early August while at Chicago the drop was from \$2.17 to \$1.26 for all varieties except those from the Western States. Western Triumphs declined from \$2.50 to \$1.64 during the month.

High temperatures and drought reduced crop prospects in the late and intermediate States during July. The commercial crop in the intermediate States was reduced about 1 million bushels from a month earlier to a total of 14.5 million bushels while the late crop (excluding California early) was reduced about 7 million to 284 million bushels. The combined total of all intermediate and late crops, the principal source of supply available for market from June to April, is now indicated to be about 312 million bushels. It is about 4 percent less than in 1938 and 7 percent less than the recent 10-year average. Production is below last year and the average in both the central and western groups of States but slightly larger than last year in the Eastern States.

The relatively small crop in the commercial areas of the intermediate States this season resulted in a shortage of marketable potatoes in early July and market prices rose sharply but as soon as the early maturing varieties produced in the late States became available in mid-July prices declined precipitately. Because of the heavy movement of potatoes to market by motor truck at this time of the year, it is impossible to indicate the volume of weekly marketings. The carlot movement is usually at the season's low point during late July and August.

TRUCK CROPS

Market prices of most truck crops declined slightly less than usual during July, but in early August averaged slightly above a year earlier. Prices of some individual vegetables, notably lima beans, celery, green corn, lettuce, peas, and spinach, however, averaged somewhat below a year ago.

Owing to unfavorable weather during July, which decreased prospective yields per acre of a number of truck crops for market, the total supply of

commercial vegetables for the late summer months is indicated to be slightly smaller than the relatively large supply available during the corresponding period in 1938. The supply this season, however, is about one-sixth larger than the recent 10-year average. The vegetables contributing to the smaller supply this season are snap beans, beets, cabbage, carrots, cucumbers, eggplant, lettuce, peppers, spinach and tomatoes. On the other hand, larger supplies of lima beans, cantaloups, celery, sweet corn, onions and watermelons are indicated.

Because of both reduced acreages and smaller yields per acre, sharp reductions are indicated in the truck crops for canning and processing. Snap beans, sweet corn, and green peas are reduced sharply while a moderate decrease is indicated for tomatoes. The acreage for harvest of most other canning crops is decreased sharply this season and the August 1 condition is generally below a year earlier. These reductions indicate that the 1939 pack of most canned vegetables will be considerably smaller than last year but will be offset in part by unusually large carry-over stocks.

Business statistics relating to the demand for farm products, specified periods

Year and month	1/	2/	3/	4/	5/	6/	7/	8/	9/	10/	11/	12/	1910-14	1910-14	1910-14	1910-14	Ratio of prices received by farmers to prices received by farmers
Base period	1929	1924-29	1923-25	1923-25	1923-25	1924-29	1923-25	1923-25	1924-29	1923-25	1923-25	1924-29	1910-14	1910-14	1910-14	1910-14	Ratio of prices received by farmers to prices received by farmers
1929 ..	100	108	119	117	106	107	136	139	146	153	153	153	153	153	153	153	95
1930 ..	93	101	96	92	92	88	124	126	126	145	145	145	145	145	145	145	87
1931 ..	80	88	81	63	78	67	111	107	87	124	124	124	124	124	124	124	70
1932 ..	63	69	64	28	66	46	97	95	65	107	107	107	107	107	107	107	61
1933 ..	58	64	76	25	73	49	107	96	70	109	109	109	109	109	109	109	64
1934 ..	66	73	79	32	86	61	116	109	90	123	123	123	123	123	123	123	73
1935 ..	71	78	90	37	91	69	124	117	108	125	125	125	125	125	125	125	86
1936 ..	82	90	105	55	98	80	132	118	114	124	124	124	124	124	124	124	92
1937 ..	88	96	110	59	106	94	144	126	121	130	130	130	130	130	130	130	93
1938 ..	82	90	86	64	87	72	141	115	95	122	122	122	122	122	122	122	78
1938 -																	
Apr. ..	81	90	77	52	86	69	140	115	94	125	125	125	125	125	125	125	75
May ..	80	88	76	51	83	68	141	114	92	125	125	125	125	125	125	125	74
June ..	81	87	77	54	82	67	141	114	92	124	124	124	124	124	124	124	74
July ..	81	88	83	59	82	68	135	115	95	123	123	123	123	123	123	123	77
Aug. ..	82	89	88	66	86	72	134	114	92	122	122	122	122	122	122	122	75
Sept. ..	82	90	91	78	89	75	141	114	95	121	121	121	121	121	121	121	79
Oct. ..	82	90	96	82	90	76	143	113	95	121	121	121	121	121	121	121	79
Nov. ..	83	92	103	96	90	78	147	113	94	121	121	121	121	121	121	121	78
Dec. ..	84	95	104	96	91	80	144	112	96	120	120	120	120	120	120	120	80
1939 -																	
Jan. ..	84	92	101	86	90	80	146	112	94	120	120	120	120	120	120	120	78
Feb. ..	84	92	99	73	91	78	148	112	92	120	120	120	120	120	120	120	77
Mar. ..	84	92	98	69	91	78	149	112	91	120	120	120	120	120	120	120	76
Apr. ..	83	90	92	67	91	74	150	111	89	120	120	120	120	120	120	120	74
May 11/	83	91	92	63	90	75	152	111	90	120	120	120	120	120	120	120	75
June 11/	84	93	98	63	91	79		110	89	121	121	121	121	121	121	121	74
July 11/				63	91			110	89	120	120	120	120	120	120	120	74

Continued -

Business statistics relating to the demand for farm products, specified periods - Continued

NOTES:

- 1/ Department of Commerce Monthly and annual index numbers of "national income paid out", 1929 = 100. (Monthly adjusted for seasonal variation). Comprised the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties, direct relief disbursements, adjusted service payments to veterans (soldiers' bonus) and benefit payments under the Social Security program. Monthly index described in Survey of Current Business, October 1938. Revised October 1938.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Veteran bonus payments are included in 1931 and 1936 but are insignificant in other years. Nonagricultural income, without bonus payments, is 86 for 1931 and 88 for 1936. Revised November 1938.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment. Revised September 1938
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees. Revised October 1938.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909 - July 1914 = 100.
- 10/ Bureau of Agricultural Economics, 1910-14 = 100.
- 11/ Preliminary.